

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

FRED STEBLER,
Complainant-Appellant,

vs.

RIVERSIDE HEIGHTS
ORANGE GROWERS AS-
SOCIATION AND GEORGE
D. PARKER,

Defendants-Appellees.

On Complainant's Cross
Appeal from Final
Decree.

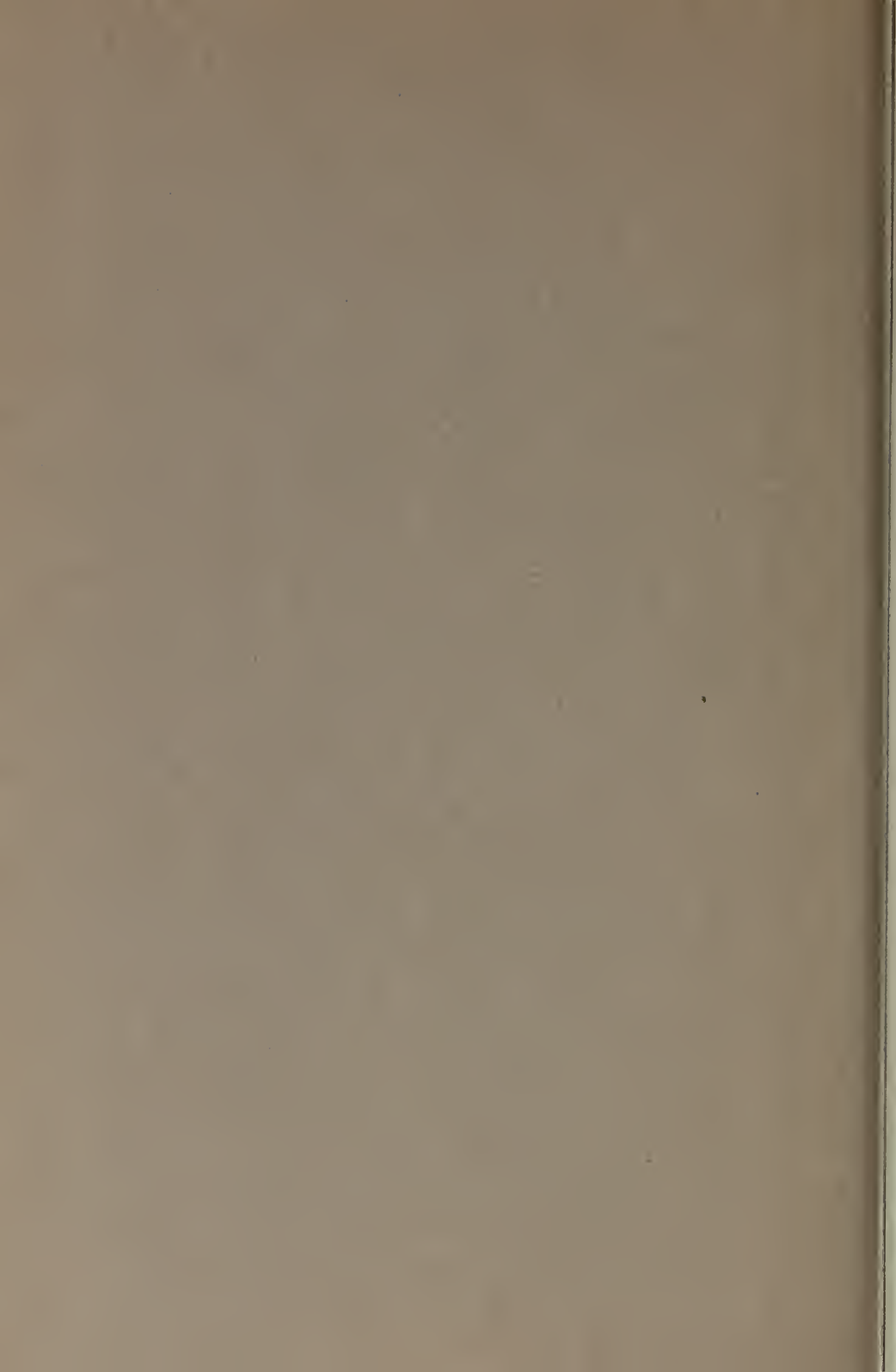
Defendants'-Appellees' Reply Brief on Cross Appeal.

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IN THE
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FRED STEBLER,
Complainant-Appellant,
vs.
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ORANGE GROWERS AS-
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Defendants-Appellees.

In Equity
No. 2772
On Complainant's Cross
Appeal from Final
Decree.

DEFENDANTS'-APPELLEES' REPLY BRIEF
ON CROSS APPEAL.

This case comes before this Court on a cross appeal to the appeal in case No. 2772, Riverside Heights Orange Growers Association and George D. Parker vs. Fred Stebler, taken from the final decree made and entered on the 30th day of October, 1915, by the District Court of the United States for the Southern District of California, Southern Division, affirming the Master's report and granting, allowing and awarding judgment against the Riverside Heights Orange Growers Association and George D.

Parker, as set forth in the said final decree, record page 339, companion appeal, Riverside Heights Orange Growers Association and George D. Parker vs. Fred Stebler.

By stipulation appearing on page 3 of appellant Stebler's record, the transcript of record in appeal case, Riverside Heights Orange Growers Association and George D. Parker vs. Fred Stebler, constitutes the appeal record in the present case, and this appeal under said stipulation is to be heard, submitted and determined upon the said transcript of record, and therefore the same forms the record on this appeal.

Appellant Stebler urges four assignments of errors, each going to the exceptions taken by him to the Master's report, said assignments of errors appearing on record page 6 of Appellant Stebler's transcript record.

The first and third of these assignments of errors may be considered together, inasmuch as they relate to the question of overhead expense allowed by the Master in ascertaining the cost incident to the manufacture of the infringing graders, and equally so, as to the manufacture by Appellant Stebler of the patented improvement in fruit graders covered by Claims One and Ten of Re-issue Letters Patent No. 12297 granted Robert Strain under date of December 27, 1904, for an improved fruit grader, a cut of the said fruit grader appearing opposite page 35 of appellant's brief in the case of *Riverside Heights Orange Growers Association and George D. Parker vs. Fred Stebler*.

Between pages 5 and 8 of the brief filed on behalf of Appellant Stebler in connection with the cross appeal, consideration is given to what is termed appellant's first exception, and the argument advanced on behalf of Appellant Stebler in support of an allowance of said exception is based solely on the ground that the Master had not sufficient data before him on which to base a finding as to an allowance of overhead expense to Appellee George D. Parker in connection with the manufacture of the infringing fruit graders, the contention being advanced that the Master had only two factors of the problem to be solved in proportioning the overhead expense, and that therefore, it was impossible for the Master to determine the proportion of overhead expense.

This argument is not in keeping with the facts presented to the Master. The Master had before him three known factors of the problem to be solved, and with these the solution was an easy one, and no difficult problem was presented to the Master to find the fourth factor of the problem. It was a mere matter of applying the well known rule of proportion.

By stipulation entered into between the parties on accounting, record page 185, the Master was given the total gross business of the manufacturer Parker for the year March, 1912, to and including March, 1913, and equally so, the gross overhead expense for conducting the general business of the said Parker for the said period of time, and by the said stipulation it was agreed that the gross busi-

ness therein given and the overhead expense therein given should be taken as an average of the overhead expense and the gross business of the said Parker for the years covered by the accounting period.

The manufacturer Parker filed with the Master and gave testimony before the Master disclosing the total number of infringing machines manufactured and sold by him during the period covered by the accounting, and equally so the cost and selling price of said machines, which machines constituted only a portion of the output of the general manufacturing business of the said Parker. The Master therefore had the following three factors of the problem to be solved in arriving at the proper proportion of the overhead expense chargeable to the business of the infringing machines, to wit:

1. The gross amount of the average yearly general business of the said Parker;
2. The gross average yearly overhead expense of general conducting of the business;
3. The total amount received for the infringing machines throughout the accounting period, which machines constituted a portion of the general business.

As found by the Master, record page 320, the total average yearly overhead expense of the general business was \$4,259.15;

The gross yearly average general business \$95,933.21.

The figures of these factors being for yearly averages, must be multiplied by four, indicating the number of years of the accounting period. Thus

we have the total gross overhead expenses for the accounting period \$17,036.60 and the total gross general business \$383,732.84.

The total amount received for the infringing sizers sold during the accounting period was \$18,375.

With these known factors of the problem the Master had no difficulty, by applying the ordinary well known rules, in finding that the overhead expense incident to the sizer or grader portion of the general manufacturing business was \$815.85; for we have the proportion $383732.84 : 17036.60 :: 18375 : x$. Multiplying the means and dividing by the extremes we have \$815.53 as the amount of overhead expense proportioned to the infringing graders, which compared with the finding of the Master shows a slight error of thirty-two cents

It will, therefore, be seen that counsel for Appellant Stebler erred in the statement that the Master had only two factors presented for the problem to be solved and, therefore, with only two known factors could not apportion the overhead expense.

As pointed out, the Master had three known factors of the problem, which is all that is required to solve the unknown fourth factor of the problem.

This assignment of error relating to appellant's first exception to the Master's report was fully argued by counsel for Appellant Stebler before His Honor Judge Bledsoe, and His Honor, on giving full consideration to the Master's report, found that all the elements or factors necessary to be given for the solution of the problem had been presented to

the Master, and therefore overruled the exception.

We submit that Appellant Stebler's first assignment of error is not well taken and should be denied.

Considering the third assignment of error, and which properly is to be considered with the first assignment, for, as previously stated, each assignment of error relates to the question of overhead expense, it must be borne in mind that Appellant Stebler and Appellee Parker are manufacturers of a general line of fruit-house machinery, consisting of fruit washing machines, fruit elevators, fruit drying machines, sorting devices for fruit, elevating and dumping mechanism, fruit weighing machinery, and the various other devices which are utilized in the packing houses engaged in the sizing, grading and packing of fruit; the fruit sizing, or what has been termed throughout the present case, grading apparatus of the patent in suit, and the fruit sizing or grading apparatus manufactured and sold by the Appellee Parker, one of the defendants in the court below, constituting only one branch of the general business conducted by each.

Appellant Stebler seeks to have eliminated the allowance made by the Master and sustained by the lower court as to overhead expenses and the proportionable charge thereof to the fruit graders or sizers involved herein, the contention being that no such overhead expense allowance should have been made, or, in other words, that only such items should be taken into consideration in establishing the cost price of the sizer or grading machine as goes to

the physical parts thereof, no allowance being made for the general expense of conducting the business.

The law is otherwise, and we fail to find in the brief submitted on behalf of Appellant Stebler any decision in support of the contention advanced between pages 19 and 20 of his brief in support thereof.

The law is contrary to the contention made on behalf of Appellant Stebler, for it is expressly provided by law, where the patented machine and the infringing machine constitute only one of the articles placed on the market by the manufacturer thereof, that in addition to the cost of the physical parts of the machine, there shall be included as constituting a portion of the cost thereof, and the said machine shall stand chargeable with its pro rata portion of the overhead expense.

By the overhead expense we do not mean cost incident to the purchase of new machinery, or the supplying of broken parts, etc., incident to the machine, or used in the construction of the machines under investigation, but the overhead expense includes the expenses incident to the conducting of the business. As overhead expense the Master was required to take into consideration the interest on the money actually expended for machinery and power, *Herring vs. Gage*, 15 Blatch. 124; the value of the use of the tools, *Gould Mfg. Co. vs. Cowan*, 105 U. S. 253; the value of the real estate necessarily occupied in the manufacture of the devices, *Steam Stone Cutter Co. vs. Windsor Mfg. Co.*, 17 Blatch. 24; the reasonable salaries of superintendent,

American Nicholson Pavement Co. vs. City of Elizabeth, 1 B & A, 439; the cost of marketing, comprising salaries of clerks, warehouses, store-houses, etc., *Gould Mfg. Co. vs. Cowan*, supra; *Zane vs. Peck*, 13 Fed. 475; *Rubber Co. vs. Goodyear*, 9 Wal. 788; and where the patented invention constitutes only one department of the sales (as in the present case), the expenses of the business must be apportioned in the ratio of the respective sales of the infringing and the non-infringing articles, and the proportion of the former charged as the expense of their sales. *Hitchcock vs. Tremain*, 5 Fisher, 310. The testimony of the Appellee Parker given before the Master discloses that he is engaged in a general manufacturing business, and equally so, the testimony of Appellant Stebler discloses that he is engaged in a general manufacturing business, and under such circumstances the Master was required to take into consideration, in ascertaining the cost for the production of the infringing fruit graders, the general overhead expense of the business, and proportion the same in accordance with the general expense of conducting the entire manufacturing business.

Under the stipulation entered into between the parties, and appearing on record page 186, the gross amount of business done by the complainant and defendant is set forth; equally so, the expense of each party in conducting of the business. It was left with the Master, under said stipulation, to ascertain and determine what ratio of the overhead expense should be chargeable to the cost of manu-

facturing and marketing the sizing or grading machines. Clearly, under the decisions above set forth, the Master was correct in allowing the overhead expense and apportioning the same in accordance with the general business.

We submit that Appellant Stebler's third assignment of error, and also his first assignment of error should be denied and that the lower court, and, equally so, the Master, properly disallowed appellant's exceptions Nos. 1 and 3.

APPELLANT'S SECOND ASSIGNMENT.

This assignment of error relates to the exception taken to the Master's report relative to the non-allowance unto Appellant Stebler of the profits derived from the bins and distributing system which he sold and supplied with the patented sizer or fruit grading apparatus of the letters patent in suit.

In the argument advanced in support of this assignment of error, counsel for appellant assumes that a complainant on an accounting is entitled to all the profits which he would have made, not only on the patented article, but equally so on non-patented devices, or other patented devices manufactured and sold in conjunction with the patented structure, losing sight of the fact that the only question on an accounting to be determined by the Master is the profit derived by the complainant from the patented structure. The fact that it is difficult to separate the profits arising from the im-

provement (meaning the patented device) from those incident to the manufacture (including non-patented features) of the whole machine, is an insufficient reason for awarding the plaintiff more than he is justly entitled to receive.

Philp vs. Nock, 17 Wal. 460;

Calkins vs. Bertrand, 8 Fed. 755;

Gould Mfg. Co. vs. Cowan, 12 Blatch. 243.

In case he is unable to prove how much of the entire profit is due to his patented device, the complainant can only recover nominal damages.

Blake vs. Robertson, 94 U. S. 728.

Further, the profits on the exact invention, as distinguished from profits due to other features of the article as a whole, must be separated and alone accounted for.

Fay vs. Allen, 30 Fed. 426;

Roemer vs. Simon, 31 Fed. 41;

Gould Mfg. Co. vs. Cowan, 105 U. S. 253;

Ingersoll vs. Musgrove, 14 Blatch. 541.

In the present case, Appellant Stebler placed his patented sizer on the market under two distinct inventions, viz: A fruit grader covered by the reissue patent held to have been infringed, and the invention by United States Letters Patent No. 943799, granted F. Stebler under date of December 21, 1909, for an improved Distributing Apparatus, and which Letters Patent cover the distributing system and the fruit bins utilized by appellant in connection with the patented sizer or grader. These last

named Letters Patent appear in the record as "Defendants' Exhibit 7," and are in no manner whatsoever involved in the present litigation. It is a distinct invention, and admitted by the complainant to have been installed with the patented grader. Such being the case, it was incumbent on the complainant to separate the profits derived from the patented fruit grader from those derived from the features of said Letters Patent No. 943799, for "the patentee must in every case give evidence tending to separate or apportion the defendant's profit and the patentee's damages between the patented features and the unpatented features, and such evidence must be reliable and tangible and not conjectural and speculative."

Garretson vs. Clark, 111 U. S. 120.

The complainant must affirmatively show what profits are due to his invention and separate the same from the other features.

Tilghman vs. Proctor, 125 U. S. 136;

Bell vs. U. S. Stamping Co., 32 Fed. 549;

Ingersoll vs. Musgrove, 14 Blatch. 541.

That the device of the Letters Patent held to have been infringed is installed by the complainant as constructed under the protection afforded by Claims 1 and 10 of the Strain Reissue Letters Patent in suit, and that the distributing system and bins embodied in Appellant Stebler's machine are protected by United States Letters Patent No. 943799, relating to the improved distributing apparatus and

bins associated therewith,—see testimony of Appellant Stebler in answer to Q. 158, record page 98. Thus Appellant Stebler placed his apparatus on the market under the protection afforded by two United States Letters Patent, only one of which was involved in the accounting proceedings, to wit: Re-issue Letters Patent No. 12297. Such being the case, the Master could not, under the law, have allowed unto the Appellant Stebler profits derived from the manufacture and sale of the patented device of Letters Patent No. 943799—Exhibit 7, and not involved herein.

Where the thing made and sold by the defendant contains not only the invention of the patent in suit, but likewise contains some other invention or feature not involved in the patented device, the complainant can only recover for that part due to the patented device or feature of the article sold, which is covered by the patent in suit.

- Blake vs. Robertson, 94 U. S. 733;
- Garretson vs. Clark, 111 U. S. 120;
- Dobson vs. Carpet Co., 114 U. S. 445;
- Dobson vs. Dorman, 118 U. S. 17;
- Keystone Mfg. Co. vs. Adams, 151 U. S. 147.

In the case of *Blake vs. Robertson*, supra, the Supreme Court used the following language:

“But inventions covered by other patents were embraced in those machines. It was not shown how much of the profit was due to those other patents, nor how much of it was manufacturer’s profits. The complainant was, therefore, entitled to only nominal damages. This

the court gave him. It was all the state of the evidence warranted. It would have been error to have given more.”

On page 15 of Appellant’s Brief, it is pointed out that the Reissue Letters Patent illustrate and describe fruit receiving bins located beneath the grading rollers, which bins receive and hold the fruit, and Appellant argues that by reason of this statement in the specification of the said Reissue Letters Patent, that claims 1 and 10, held to have been infringed, should be construed as covering the entire machine.

In advancing this proposition, Appellant ignores the fact that the Reissue Letters Patent, as issued, contained 10 claims, and the further fact that the fruit receiving bins, etc., are made portions of the combination of claims not involved herein, and it is therefore impossible to hold that claims 1 and 10 directed to the specific constructed sizing runway or grading elements of the apparatus were intended or designed to cover the entire machine.

Claims 2, 3, 4, 5, 6, 7, 8 and 9 of the Reissue Letters Patent have not been held to be infringed, and therefore appellee is not liable on an accounting for the subject-matter of the non-infringed claims, and if the Reissue Letters Patent cover the entire apparatus or an apparatus other than the fruit sizing portion covered by claims 1 and 10 of the said Letters Patent, such protection must be found to reside in one or more of the remaining eight claims not held to have been infringed, and for the inventions of which claims the Appellant is not liable.

The fact remains, however, that whatever may be

covered by said claims 2, 3, 4, 5, 6, 7, 8 and 9 of the Reissue Letters Patent, was deliberately thrown aside by Appellant and he substituted therefor to associate with the grading element or member of the apparatus, the invention of Letters Patent No. 943799 granted Appellant under date of Dec. 21, 1909 for an improved Distributing Apparatus. The Appellant therefore is not in a position, in view of his own acts, to contend at this time that claims 1 and 10 of the Reissue Letters Patent cover the entire machine as marketed by him, that is the invention of claims 1 and 10 covering the grading element of the Reissue Letters Patent associated with the invention of Letters Patent No. 943799, and which latter invention covers the Distributing System, and the fruit receiving bins associated with the marketing of the sizing elements covered by claims 1 and 10 of the Reissue Letters Patent.

The Master, therefore, should have apportioned the profits derived from the invention of claims 1 and 10 from the inventions covered by the remaining claims of the Reissue Letters Patent and from the profits derived from the use of the invention of the said Letters Patent No. 943799.

Counsel for appellant on page 24 of his brief under the heading of "Conclusion," in support of an allowance of the second assignment of error, directs attention to the case of *Brennan & Co. vs. Dowagiac Mfg. Co.*, 162 Fed. 472, and seemingly relies on this case as controlling the situation, and contends that his second assignment of errors is

within the authority thereof, and controlled by the law as expressed in said case.

This case was fully considered by the Supreme Court of the United States in the case of *Dowagiac Mfg. Co. vs. Minnesota Moline Plow Co.* and *Dowagiac Mfg. Co. vs. Smith & Zimmer*, decided on January 11, 1915, and reported in 235 U. S. page 641. This decision of the Supreme Court of the United States is the latest expression of the law on accounting, and is controlling on matters of this kind. We have referred to this case at length in brief filed on behalf of appellant in companion appeal, entitled *Riverside Heights Orange Growers Association and George D. Parker vs. Fred Stebler*, the application of this decision appearing on page 25 of said brief filed on said appeal.

Referring to the invention involved in the case of *Brennan & Co. vs. Dowagiac Mfg. Co.*, supra, the Supreme Court states that the defendants to said suit were not in the situation of the defendants to the suit of the *Dowagiac Mfg. Co. vs. Minnesota Moline Plow Co.*, inasmuch as in the case of *Brennan & Co. vs. Dowagiac Mfg. Co.* the Court of Appeals rendering the decision in said case, referring to the defendant thereto, stated:

“It had made and sold these infringing drills with the purpose of imitating patentee’s construction, therefore finding the infringement of the defendant to have been wanton and willful.”

Such is not the situation in the present case, inasmuch as the infringement was not wanton nor will-

ful, for the record in the case of *Stebler vs. Riverside Heights Orange Growers Association and George D. Parker*, in which the accounting was had, discloses that the manufacturer Parker placed the infringing device on the market under and in accordance with letters patent of the United States which had been issued to him for the said invention and the lower court, in the decision rendered by Judge Wellborn, held non-infringement. However, in construing the patent involved in the case of *Brennan & Co. vs. Dowagiac Mfg. Co.*, supra, the Supreme Court in the case of *Dowagiac Mfg. Co. vs. Minnesota Moline Plow Co.*, supra, disagreed with the construction placed thereon by the Circuit Court of Appeals for the Sixth Circuit, stating:

“It is quite plain, as we think, that the patent was not for a new and operative grain drill, but only for particular improvements in a type of grain drill then in use and well known.”

This applies with full force to the invention of the Reissue Letters Patent before the Master in the present case on accounting, inasmuch as the subject matters of Claims 1 and 10, the only claims involved of the said letters patent, clearly disclose, and equally so, the record in the case of *Stebler vs. Riverside Heights Orange Growers Association and George D. Parker*, that the invention related to an improvement in a general type of machinery then on the market, to wit: Fruit Sizing Machinery, and the decision of this Court on the appeal of *Stebler*

vs. *Riverside Heights Orange Growers Association and George D. Parker*, reported in 205 Fed. page 735, expressly points out wherein the sizing feature of the Strain Reissue Letters Patent differentiated from the sizing features of the sizers or graders known as the Ish Grader and the California Grader.

Inasmuch as the Appellant Stebler placed the invention of the Strain Reissue Letters Patent on the market combined with the invention of Letters Patent No. 943799, Defendants' Exhibit 7, record page 272, and which said letters patent No. 943799 was an invention for the distributing system and bins, it was incumbent on Appellant Stebler, before the Master, to have segregated the profits derived from the invention of Claims 1 and 10 of the Reissue Letters Patent from the profits derived from the patented distributing system and bins, attributable and properly belonging to Letters Patent No. 943799, Defendants' Exhibit No. 7.

These features (the invention of Letters Patent No. 943799), constituted the unpatentable features of the machine placed on the market by appellant under Reissue Letters Patent, and inasmuch as the profits arising from these features and features controlled by separate and independent Letters Patent No. 943799 were commingled by Appellant Stebler with the profits which he received from the fruit sizer or grader of the Reissue Letters Patent involved in suit, it was his duty, under the law, and the burden rested on him, of segregating the profits of the said Letters Patent No. 943799, from the profits derived from the manufacture and sale of

the invention covered by Claims 1 and 10 of the Reissue Letters Patent.

As stated in *Underwood Typewriter Co. vs. Fox Typewriter Co.*, 220 Fed. page 881, following the law as expressed by the United States Supreme Court in the case of *Garretson vs. Clark*, 111 U. S. 120:

“When a patent is for an improvement, and not for an entire new machine or contrivance, the patentee must show in what particular his improvement has added to the usefulness of the machine or contrivance. He must separate its results distinctly from those of other parts, so that the benefit derived from it may be distinctly seen and appreciated. The rule on this head is aptly stated by Mr. Justice Blatchford in the court below: ‘The patentee,’ he says, ‘must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative; or he must show by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patentable feature.’”

In the present case the testimony of Appellant Stebler, record page 55, disclosed that the grader would be no good without the distributing system and bins, and that the distributing system and bins which he employed or associated with the patented sizer or grader, constituted the distributing system and bins of Letters Patent No. 943799. Such being

the case, without question the main profit derived from the sale of the article which he placed on the market was attributable directly to the invention of Letters Patent No. 943799, Defendants' Exhibit No. 7.

As pointed out on page 23 of brief filed on behalf of appellant in companion appeal entitled *Riverside Heights Orange Growers Association and George D. Parker vs. Fred Stebler*, no effort was made by Appellant Stebler to segregate the profits of the patented features of Letters Patent No. 943799 from the patented features of the invention of Claims 1 and 10 of the Strain Reissue Letters Patent herein involved.

This brings the case within the law as expressed by the United States Supreme Court in the case of *Dowagiae Mfg. Co. vs. Minnesota Moline Plow Co.*, supra,

“That the plaintiff failed to carry the burden, rightly resting upon it, of submitting evidence where the profits from the sale of the infringing drills could be apportioned between the patented improvements and the unpatented parts.”

Citing with approval the law as expressed in *Westinghouse Co. vs. Wagner Co.*, 225 U. S. 604.

“Insofar as the profits from the infringing sales were attributable to the patented improvements they belonged to the plaintiff, and insofar as they were due to other parts or feature they belonged to the defendants; but as the drills were sold in complete and operative form the profits resulting from the several parts

were necessarily commingled. It was essential therefore that they be separated or apportioned between what was covered by the patent and what was not covered by it, for, as was said in *Westinghouse Company vs. Wagner Company*, supra,

‘In such case, if plaintiff’s patent only created a part of the profits, he is only entitled to recover that part of the net gains.’

“In the nature of things, the profits pertaining to the patented improvements had to be ascertained before they could be recovered by the plaintiff, and therefore it was required to take the initiative in presenting evidence looking to an apportionment. Referring to a like situation, it was said in the case just cited:

‘The burden of apportionment was then logically with plaintiff, since it was only entitled to recover such part of the commingled profits as was attributable to the use of its invention.’ ”

Appellant Stebler did not comply with the burden thus placed on him and he was, therefore, entitled to no allowance for profits derived from the invention of Letters Patent No. 943799, and which profits he commingled with the profits of the invention of Claims 1 and 10 of the Reissue Letters Patent, and which inventions were placed on the market associated with the invention of said Letters Patent No. 943799. He should have been allowed only nominal damages.

We submit that Appellant Stebler’s second assignment of errors is not well taken and should be denied, and that the lower court should be sustained

in denying the exception to the Master's report thereon.

APPELLANT'S FOURTH ASSIGNMENT.

It is submitted that the argument advanced in support of Appellant Stebler's fourth assignment of errors is urged and contended for under a misconceived idea of the decision of this Court in the case of the *Riverside Heights Orange Growers Association and George D. Parker vs. Fred Stebler*, 214 Fed. page 550. The expressions "damages" and "profits" as referred to in said decision for the purpose of an accounting are only terms to designate that the complainant shall receive the full sum which he would have derived by the manufacture and sale of the patented structure. If the sum realized by the defendant as profits from the wrongful act of infringement is not sufficient to compensate the complainant for the sum which he would have realized had he manufactured and sold the patented structure, then, and in such event, the complainant receives from the defendant as profits the full sum which the defendant has realized from the manufacture and sale of the infringing structure and, in addition thereto, is entitled to receive such further sum from the defendant which, added to the profits of the defendant, will give unto the complainant an amount equal to that which he received from the manufacture and sale of the patented structure; in other words, if the defendant realizes the sum of \$5,000 from the manufacture and sale of a given

number of the infringing articles and the complainant would have realized the sum of \$10,000 from the manufacture and sale of the patented device, then, on an accounting, on proper proof being presented, the complainant receives from the defendant the full sum of \$5,000 realized as profits by the defendant and, in addition thereto, he receives as damages the further sum of \$5,000, so that the total amount paid by the defendant unto the complainant will, under such circumstances, aggregate the sum of \$10,000, or the full amount which the complainant would have received had he manufactured and sold the patented devices. This is all he is entitled to, inasmuch as it represents his full compensation, and more he is not entitled to.

If, on the other hand, complainant would have realized the sum of \$5,000 from the manufacture and sale of the infringing article, and the defendant realized from the manufacture and sale of the same number of infringing articles the sum of \$10,000 as profits, then, and in such event, the complainant receives from the defendant as "damages" the sum of \$5,000 and as "profits" an additional sum of \$5,000, making a payment from the defendant unto the complainant of the sum of \$10,000. In either event, the complainant receives all that has or would have been made, and such payment represents the full sum of recovery to which he is entitled. He is not entitled, where his profits exceed those of the defendant, to recover from the defendant the whole of such sum and, in addition thereto, the amount which the defendant derived; or where

his profits are less than the defendant's, he is not entitled in such case to receive all of such profits, and, in addition thereto, the full profits which the defendant realized; in other words, the two sums cannot be added together.

In construing that which the complainant was entitled to receive from the defendant, this Court held in its decision:

“The plaintiff derives his profit from the manufacture and sale of the fruit grading machines covered by the patent. These profits consist of the difference between the cost of manufacture and the price for which he sells the machines. These profits are, therefore, the only compensation which he receives for the machines manufactured and sold by him during the life thereof. When final judgment is entered against the defendants pursuant to the accounting which has been ordered against them, the plaintiff will receive thereunder full compensation for the use of the machines by the vendees of the defendant herein for such period as they are capable of being used, in the same manner and to the same extent as he would have done had he sold the machines himself.”

214 Fed. 554.

By this language it was not intended by this Court to change or vary the fixed law relative to the manner of ascertaining the recovery which complainant was entitled to on an accounting for infringement of his patented structure, but expressly states that the *full compensation* due complainant constitutes the *difference between the cost of manu-*

facture and the price for which he sold the patented structure, and that when he received this amount, full compensation is made.

It has only been since the Act of 1870 that damages have been recoverable on an accounting, but ever since said Act, profits and savings are still the measure of recovery in equity, unless the extent of the complainant's loss requires an additional allowance of damages.

Willamette Thread Co. vs. Clark Thread Co.,
27 Fed. 865;

Birdsall vs. Coolidge, 93 U. S. 64.

In the latter case the Supreme Court states:

“Damages of a compensatory character may also be allowed to the complainant suing in equity, in certain cases, where the gains and profits made by the respondent are clearly not sufficient to compensate the complainant for the injury sustained by the unlawful violation of its exclusive right secured to him by the patent.”

In the present case, the Master found that the defendant's profits were not sufficient to compensate the complainant, and he therefore allowed such an additional sum over and above the profits realized by the defendant as would fully compensate the complainant for the loss which he had sustained, such additional amount representing the difference between the amount realized by the defendant and that which would have been realized by the complainant had he sold the machines, the total of the

two amounts equalling that which the complainant would have received.

The Master in rendering his report followed the law as set forth in *Willamette Thread Co. vs. Clark Thread Co.*, supra, and as set forth in the case of *Westinghouse vs. New York Air Brake Co.*, 131 Fed. 607, wherein the Court stated:

“The rule is clear that the profits which the complainant might have gained by supplying such demand are recoverable as damages which it suffered thereby. It is also clear that, if such sums exceed the profits which the defendants gained, such profits can be enlarged until they equal the complainant’s losses, but that the two amounts cannot be added together and charged up to the defendants.”

We know of no law, nor has counsel directed our attention to any decision, which supports the proposition advanced by him on behalf of Appellant Stebler, which position is that Appellant Stebler is entitled to receive all the money which he would have derived from the invention of Claims 1 and 10 of the Strain Reissue Letters Patent had he sold the infringing machines, and, equally so, all which he would have derived from the independent invention of Letters Patent No. 943799 which he associated and commingled therewith, and that in addition to this full amount, he should receive the full amount which was derived by the Appellee Parker in connection with the sale of the infringing device, where the appellant’s profits exceeded those of the appellee infringer. The position assumed by counsel is that under the decision of this Court,

in the case of *Stebler vs. Riverside Heights Orange Growers Association and George D. Parker*, 214 Fed. 554, the intent of the Court was to change the fixed law of the land and to make a law for this Circuit contrary to the law as expressed by the Supreme Court of the United States and followed in every other Circuit in compliance therewith. We do not believe that this Court intended so to do, nor do we believe that there is any foundation in the decision of this Court in connection with the case of *Stebler vs. Riverside Heights Orange Growers Association and George D. Parker*, supra, on which can be founded any basis for the argument in support of the position which is advanced by counsel for appellant. All this Court intended by its decision and all that is expressed therein is, that the infringer shall pay unto the owner of the letters patent the full profit which he received from the sale of the infringing device, and that if these profits fall short of the profits which the owner of the letters patents would have received, had he made the sale of the infringing device, then, and in such case, the infringer shall pay unto the owner of the letters patent such additional amount over and above his profits as will give to the owner of the letters patent the amount which the said owner would have received.

In the present case the Master found what the profit would have been to Appellant Stebler had he sold the found infringing machines, and, equally so, the profit which Appellee Parker derived from the sale of said infringing machines; in other words,

the Master found that Appellee Parker received as profit the sum of \$5,232.85 and that Appellant Stebler would have received, had he sold the same machines, \$11,470.20, and he therefore allowed to Appellant Stebler the full profit which Appellee Parker received and in addition thereto he allowed as damages the further sum of \$6,237.35, so as to give unto Appellant Stebler the full sum of \$11,470.20, the amount which he would have received had he sold the infringing machines.

This is all the Master could have found allowable to Appellant Stebler under the law.

We submit that Appellant Stebler's fourth assignment of errors should be denied.

Respectfully submitted,

N. A. ACKER,

Solicitor and Counsel for Appellees.

